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Message Text

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ACTION EUR-10

INFO OCT-01 SS-14 ISO-00 NSC-07 NSCE-00 CIAE-00 INR-10

NSAE-00 RSC-01 L-02 PM-03 DODE-00 SP-01 SAJ-01 DRC-01

/051 W
---------- 002572
R 081518Z APR 74
FM AMEMBASSY BONN
TO SECSTATE WASHDC 1650
INFO AMEMBASSY BELGRADE
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY PARIS
AMEMBASSY PRAGUE
AMEMBASSY ROME
AMEMBASSY SOFIA
AMEMBASSY VIENNA
AMEMBASSY WARSAW
USMISSION BERLIN
USMISSION NATO BRUSSELS
AMCONSUL ZAGREB

C O N F I D E N T I A L SECTION 01 OF 02 BONN 05658

LIMDIS

E.O. 11652: GDS
TAGS: PFOR, GW, YO, EGEN, EFIN, EAID
SUBJECT: FRG RELATIONS WITH YUGOSLAVIA

REF: (A) BELGRADE 944 (NOTAL); (B) BONN 1755

1. WITH THE PROBLEM OF THE DM 700 MILLION CREDIT TO YUGOSLAVIA SOLVED IN PRINCIPLE, BONN'S RELATIONS WITH BELGRADE APPEAR NOW TO BE MOVING ALONG FAIRLY SMOOTHLY.
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THERE SEEMS TO BE LITTLE SENSE OF RANCOR ON EITHER SIDE

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AS A RESULT OF THE DIFFICULTIES ENCOUNTERED IN REACHING AGREEMENT ON THE TERMS OF THE CREDIT. WE WOULD EXPECT THE FORMAL NEGOTIATIONS TO BE CONCLUDED SUCCESSFULLY WELL BEFORE THE TITO VISIT. THE CREDIT, AS IT LOOKS NOW,WILL BE ROUGHLY EQUALLY DIVIDED BETWEEN UNTIED COMMODITY ASSISTANCE AND PROJECT AID ENTAILING SOME FRG INVOLVEMENT. APPARENTLY THE PROJECT PART OF THE CREDIT WILL BE ENTIRELY OR VERY LARGELY TAKEN UP BY THE PLANNED ELECTRICAL TRANSMISSION LINE.

2. AS FOR THE VISIT OF PRESIDENT TITO, WE UNDERSTAND THAT THE GERMANS HAVE PROPOSED A DATE IN EARLY JUNE AND THAT THE YUGOSLAVS HAVE COME BACK WITH A SUGGESTION THAT IT TAKE PLACE FROM JUNE 16-19. ACCORDING TO PRESS REPORTS HERE THE LATTER DATES WOULD BE DIFFICULT FOR CHANCELLOR BRANDT AND THERE IS STILL NO FIRM AGREEMENT ON THE TIMING.

3. THE BRANDT GOVERNMENT'S CONCERN WITH YUGOSLAVIA (UNLIKE ITS PREOCCUPATION WITH POLAND, WHICH IS STRONGLY INFLUENCED BY DOMESTIC POLITICAL PRESSURES RELATED TO THE ETHNIC GERMAN PROBLEM) IS SHAPED ABOVE ALL BY FOREIGN POLICY AND SECURITY CONSIDERATIONS, PARTICULARLY BY THE FEAR THAT TITO'S DEPARTURE, WHENEVER IT OCCURS, MAY INITIATE A PERIOD OF INSTABILITY IN THE BALKANS WHICH THE SOVIETS COULD READILY EXPLOIT AND FOR WHICH THE WEST IS LARGELY UNPREPARED. STATE SECRETARY FRANK, IN A RECENT CONVERSATION WITH THE AMBASSADOR, MENTIONED YUGOSLAVIA AS A PRIME EXAMPLE OF AN AREA WHERE THE WESTERN ALLIANCE NEEDS TO DO MUCH MORE BY WAY OF ADVANCE CONSULTATION, ANALYSIS, AND CONTINGENCY PLANNING. THE GERMANS OBVIOUSLY FEAR THAT, IN THE ABSENCE OF SUCH PLANNING, TROUBLE IN THE BALKANS COULD DRIVE A WEDGE BETWEEN THE U.S. AND ITS NATO ALLIES JUST AS THE MID EAST WAR DID. FURTHER EVIDENCE OF THIS CONCERN WAS PROVIDED BY THE FRG'S SOMEWHAT JUMPY REACTION TO REPORTS OF WARSAW PACT MANEUVERS IN HUNGARY (VIZ. AMBASSADOR VON STADEN'S

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/051 W

---------- 002568

R 081518Z APR 74
FM AMEMBASSY BONN
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C O N F I D E N T I A L SECTION 02 OF 02 BONN 05658

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CONVERSATION WITH ASSISTANT SECRETARY HARTMAN REPORTED IN STATE 57167), ALTHOUGH BONN SINCE SEEMS TO HAVE COME TO THE VIEW THAT NO DRAMATIC CONCLUSIONS ABOUT SOVIET INTENTIONS TOWARD YUGOSLAVIA SHOULD BE DRAWN FROM THOSE MANEUVERS.

4. IN ANY EVENT, IT IS CLEAR THAT THE GERMANS INTEND THEIR ECONOMIC COOPERATION WITH YUGOSLAVIA NOT ONLY TO DEFUSE THE LONG SMOULDERING INDEMNIFICATION ISSUE BUT ALSO TO TIE YUGOSLAVIA MORE CLOSELY TO THE WEST AND TO CONFIDENTIAL

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CONTRIBUTE, INSOFAR AS POSSIBLE, TO YUGOSLAVIA'S INTERNAL STABILITY. IN THIS CONNECTION, IT IS WORTH NOTING THAT THE DIFFICULTY IN AGREEING ON PROJECT ASSISTANCE AROSE IN PART BECAUSE THE GERMANS WANTED THE CHIEF BENEFITS OF THEIR ASSISTANCE TO GO TO THE LESS DEVELOPED SOUTHERN AND EASTERN PARTS OF YUGOSLAVIA WHILE THE YUGOSLAVS, PREOCCUPIED WITH INDEMNIFICATION, WANTED IT TO GO TO THE PART OF THE COUNTRY WHICH HAD SUFFERED MOST FROM THE GERMAN OCCUPATION DURING WORLD WAR II. THE ELECTRIC POWER PROJECT EVIDENTLY REPRESENTS A

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COMPROMISE WHICH, BY TYING TOGETHER VARIOUS REGIONAL
NETS, WOULD BENEFIT ALL PARTS OF THE COUNTRY.
HILLENBRAND

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